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REMARKS

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FPMR (41 CFR) 101-11.206

.7 February 1986

MEMORANDUM FOR THE RECORD

25X1

FROM:

SUBJECT: Package Software For Financial Systems

1. The Governmentwide conference on the use of packaged software for financial systems, held at the Shoreham Hotel on 3 February, was attended by some 600 to 700 people including about a dozen from CIA. Finance, Logistics and Information Technology were represented in addition to the Audit Staff. The purpose was to promote the use of commercial software packages for financial systems and to have federal agencies utilize the programs that have already been developed in other agencies rather than first to consider custom building a system. The handouts featured excerpts from OMB Circular A-127 and an OMB issuance dated March 1985 entitled <u>Financial Management and Accounting Objectives</u>.

2. Most of the speakers were from the federal government, but there was one session at which people from Sears, Dupont and Aetna shared their experiences with commercial packages. By and large the presentations were well-organized and to the point, although the inevitable speaker with the stack of closely spaced overheads did appear, but even she did tailor her presentation when the audience reacted groaningly to her graphic aids.

3. The luncheon speaker disarmingly noted that he would tell a few "war stories" and he did. Hardly anyone recognized the war or cared how it had been fought. Fortunately the remainder of the program was more useful. Incidentally, the lunch was surprisingly good for such a large group.

4. The principal message of the speakers was that while package software is worth using for financial applications, its effective use requires careful planning and a willingness to be flexible in adapting "generic solutions" to particular problems. There appeared to be general agreement that the

better commercial packages afforded superior documentation and good training and support to users although several speakers noted that a good package that had been thoughtfully applied shouldn't require much follow-up support. From the OMB point of view, the use of standard packages offered not only the advantage of being cheaper and probably faster, but this approach also offered a measure of control by giving OMB, Treasury, and (yes even) GAO the ability to track what is going on in each agency. Hence the strong interest in having all the federal agencies adopt one general ledger and chart of accounts.

5. A brief resume of the sessions is given below. The treatment is uneven and should not be interpreted as a careful capsulization of each presentation. The flaws are more likely to be due to the wandering attention of the recorder rather than to the inadequacies of the presenter.

6. A brief capsule of most of the day's presentations is attached.

25X1

Attachment:
  Opening Remarks

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ATTACHMENT

OPENING REMARKS

Joseph Wright   Deputy Director, OMB

When Stockman took over at OMB, the Government was losing
about a billion dollars a week to the deficit. No private
business could manage to stay solvent with the same chaotic
financial accounting system. The federal government had a cash
management problem of some $1.7 trillion per year. Yet the
float was being ignored. First this anomaly was corrected and
then the delinquencies were attacked. Next, the payroll and
personnel systems were addressed.

The financial accounting systems are many and diverse
within the government. Now some 60% of computer dollars go to
software. Half of that total is for maintenance. In addition
much of the software is custom designed. With Gramm-Rudman, we
can no longer afford custom-tailored software. Emulation is
another common practice that doesn't make sense -- it involves
making new hardware run as slow as the old hardware it is
replacing.

OMB Circular A-127 established sound policy in this area.
DOT is the lead agency for developing the Governmentwide
general ledger.

Hardware and software technology are now mature, so
off-the-shelf software makes sense and offers a means for
economizing.

A STANDARD GENERAL LEDGER

Dale McOmber   Former OMB Assistant. Director

Federal systems have actually become <u>less</u> uniform over the last several years. As the budget process becomes more centralized, there is greater need for a standardized general ledger. Defense designed a system that served as the model for the OMB task force effort.

Herbert Kraft   Dep. Assistant. Secy of Def
                                  for Mgmt Sys.

The focus in the Defense system is on minimum accounting while providing for subsidiary accounts. A uniform chart of accounts is a desirable goal. Defense has published one but it is slow and difficult work. The Defense Nuclear Agency will be the first user of this uniform chart of accounts.

Standardized input is obtained through uniform accounting codes. Some 38 different accounting code systems are used within DoD. They are also looking at a Governmentwide chart of accounts, but some differences exist within DoD. Some are simply terminology: others are more substantive. The Department needs a three level system (departmental, regional command, and installation) and it also has special situations like the mothballed aircraft kept at Davis-Monthan AFB.

Joyce Shelton   Dir. of Fin. Mgt, DOT

As head of the OMB task force on the standard general ledger, Ms Shelton was able to provide an authoritative view of its efforts. She indicated that a consensus process had been used. The principal participants were DOT, Ag, GSA, Commerce, Justice, and JFMIP. The general ledger included a chart of accounts, a set of data elements, and a list of definitions. In general the comments received thus far have been favorable.

The intention was to provide basic control accounts and not to try to include every subaccount. Prototyping was used in developing crosswalks. One long-range benefit is the ability the system would give to have agencies transmit transactions directly to OMB and the Treasury. Several agencies have said they would like to see the transactions used in the development of the system.

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Some advantages of the system include:
* Consolidation of data
* Uniform reporting
* Uniform treatment of similar events
* Sharing of accounting resources
* Better overall control
* Standard terminology.

Financial management depends on better management information. The level of accounts kept in the federal government, i.e. two prior years and M-year causes a lot of needless reconciliation effort.

Jimmie Brown   Dir.of Off of Inf. Sys.,
                                Commerce

Much of the Department's software has been copied from software developed in the bureaus. The eight different financial systems now existing in Commerce were not designed to interface. Standardization of the accounting structure would have alleviated the workload of the past several years.

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PRIVATE SECTOR SYSTEMS

Ben Skelton   Former V.P. and Controller,
                                     Sears

Robert Bailey

In 1963 Sears decided to automate, and created a separate division for information processing reporting directly to the president. Originally all programming was done in-house but in 1981 Sears took a new tack and began to use off-the-shelf software.

General ledger was one of the off-the-shelf packages. In 1982 Sears set up a new subsidiary and decided to try using the general ledger package offered by Vendor 1, which already had been doing business with two other Sears companies. Because Vendor 1 already had standard contract language with the other Sears companies, the new subsidiary had to accept less assurances than it really wanted. Compromises were necessary. Audit packages were developed by Sears people and user training by Vendor 1 was good enough so that between December, 1982 and June, 1983 the system was installed and worked satisfactorily.

Sears had a somewhat less successful experience with Vendor 2. In 1980, the accounts receivable package that Sear bought was initially evaluated and it was determined that three trial balance programs were necessary to the system and these additional programs were generated by Sears programmers. Then after months of negotiation, a six-month price protection period was obtained. Thereafter the system was implemented in three weeks and after a two-month period of parallel processing, the system was used operationally. Subsequently every minor release made by Vendor 2 was not adopted but a new major release that came out after about a year was installed without difficulty .

Finally Sears bought an accounts payable package from Vendor 1. The logic of the program suited Sears' needs and it was expected that installation would take only a few months. The training was excellent but installation proved to be difficult and instead of being achieved during the interval October to December, 1983, it took until April, 1984 to get the system on-line. Package documentation was excellent but additional documentation provided by a consultant was less satisfactory.

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The Sears folks offered the advice that not too much auxiliary processing ought to be attempted with off-the-shelf packages. They also counseled that the documentation of the package must be good and user training ought to be even better. They also cited user support as a possibly important consideration, however, Sears apparently had little recourse to that feature itself. They strongly emphasized that the vendor must be of high quality if the effort is to succeed.

        Charles Wyke   Info. Sys. Dept., Dupont
        John O'Neill

The two Dupont representatives gave a very down-to-earth and practical presentation on how to approach the use of package software. They noted that the package must be reliable, easy to use, up-to-date, and of high quality. They cautioned that the user of package software must be prepared to be flexible and to adapt procedures to the requirements of the package. They also noted that a significant up-front effort may well be needed to make the effort successful.

The Dupont folks noted that using package software involved some additional steps including
        -- more testing, and
        --negotiations with the package vendor.
They also contended that it was inevitable that the user will have to add functionality to the generic package. On the plus side, they noted that the better commercial packages are well-documented and are accompanied by sound user training. In dealing with a vendor-developed package, you get hands-on experience quicker. The documentation with vendor software is almost always better than that produced by the user who does his own custom programming.

They suggested that a typical selection process for acquiring a software package often proceeded in the following fashion:

        a) Conduct a software survey using sources like Datapro

        b) Do a preliminary screening to eliminate those
        packages that are incompatible with your hardware
        configuration or perhaps those that do not have a
        substantial user base. (At this point you may well
        have weeded the field down from 50 or more to between
        five and fifteen). Now ask the vendors to provide
        additional detail on their packages.

c) Develop a standard checklist and narrow down the candidates to 2-4. At this point you may want to use a software consultant to help you evaluate the contenders. It is quite likely you will want to get briefings from the vendors.

d) Make the final selection and go.

Some additional if seemingly obvious, points were:
-- The package selection process is important
-- Sales claims need skeptical examination
-- Installation of the package is nontrivial
-- Implementation effort is about the same for either a package or an in-house development.

Double testing is required where packages are introduced. First the vendor's package needs to be tested in your environment and then you need to test any custom additions made to the vendor's package.

It is unwise to modify the vendor's package. Certainly if you do so you cannot expect the vendor to support a package you have altered. It follows that you must be fairly flexible in your procedures because it is unlikely that your needs will exactly match the generic situation.

Nicholas Elsberg   Assistant V.P. Fin. Div.
                             Sys., Aetna

In an abbreviated presentation, Elsberg noted that the private sector probably had an advantage in being able to move faster than government. He offered a brief list of pros and cons to consider in thinking about the use of package software.

PROS	CONS
Installation is faster and cheaper.	There is not 100% functionality.
There are user groups with shared experience.	You are dependent on the vendor for support.
Seeing a blueprint often helps in defining user needs.	Having a predefined structure may cause the user to be less thorough in defining needs.

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Package serves as a good as
prototyping tool.

Most packages work best
standalones.

No need to have great
expertise.

User does not develop
expertise.

Elsberg emphasized that packages won't meet 100% of most
users' needs.